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Ontario

Ministry of Finance

# Public Accounts of Ontario

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## Financial Statements

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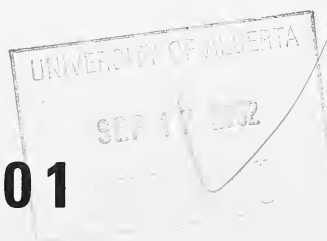
**Ministry of Finance**


# **Public Accounts of Ontario**

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**Financial Statements**

**2000-2001**





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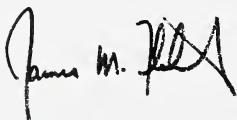
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**To The Honourable  
Hilary M. Weston  
Lieutenant Governor of Ontario**

May It Please Your Honour:

The undersigned has the honour to present to Your Honour the Public Accounts of the Province of Ontario for the fiscal year ended March 31, 2001, in accordance with the requirements of the *Ministry of Treasury and Economics Act*.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James M. Flaherty", with a stylized flourish at the end.

Honourable James M. Flaherty  
Minister of Finance  
Toronto, September 2001

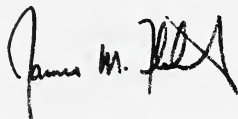


## **Minister of Finance's Report**

It is with pleasure that I present the 2000–2001 Public Accounts of the Province of Ontario for the fiscal year ended March 31, 2001.

To assist readers, the organization and content of the Public Accounts is described in "A Guide to Public Accounts" on page viii of this volume.

Comments or general enquiries will be welcomed and should be directed to the Office of the Provincial Controller, Ministry of Finance.

A handwritten signature in black ink, appearing to read "James M. Flaherty". The signature is stylized with a large initial "J" and a prominent "F".

Honourable James M. Flaherty  
Minister of Finance  
Toronto, September 2001





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## A Guide to Public Accounts

### Scope of the Public Accounts

The 2000–2001 Public Accounts of the Province of Ontario comprise the financial statements and three volumes:

**Volume 1** contains the Consolidated Revenue Fund schedules and Ministry statements. The Consolidated Revenue Fund schedules reflect the financial activities of the government's ministries on a modified cash basis.

**Volume 2** contains the financial statements of significant provincial corporations, boards and commissions that are part of the government's reporting entity and other miscellaneous financial statements.

**Volume 3** contains the details of expenditure and the Ontario Public Service senior salary disclosure.

## Sources of Additional Information

### Province of Ontario Annual Report

The government has prepared an annual report, which gives financial and economic highlights of the past year and reports on performance against the goals set out in the Budget. The report includes a summarized version of the financial statements. Copies may be obtained free by mail from Publications Ontario Mail Order, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8; by calling (416) 326-5300, toll-free 1-800-668-9938; or by visiting the Publications Ontario Bookstore at 880 Bay Street, Toronto. For electronic access to the Province of Ontario Annual Report, visit the Ministry of Finance Web site at <http://www.gov.on.ca/FIN/english/budeng.htm>.

### The Ontario Budget

The Ontario Government presents a Budget each year, usually in the early spring. This document outlines expected expenditure and revenue for the upcoming fiscal year. Copies may be obtained free by mail from Publications Ontario Mail Order, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8; by calling (416) 326-5300, toll-free 1-800-668-9938; or by visiting the Publications Ontario Bookstore at 880 Bay Street, Toronto. For electronic access to the Ontario Budget, visit the Ministry of Finance Web site at <http://www.gov.on.ca/FIN/english/budeng.htm>.

### The Estimates of the Province of Ontario

The government's spending Estimates for the fiscal year commencing April 1 are presented to members of the Legislative Assembly following the presentation of the Ontario Budget by the Minister of Finance. The Estimates outline the spending plans of each Ministry, which are submitted for approval to the Legislative Assembly, per the *Supply Act*. Copies may be obtained free by mail from Publications Ontario Mail Order, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8; by calling (416) 326-5300, toll-free 1-800-668-9938; or by visiting the Publications Ontario Bookstore at 880 Bay Street, Toronto.

### Ontario Government Business Plans

Business Plans are published annually by each ministry, following the Ontario Budget and publication of the spending Estimates. Each plan includes an annual report highlighting what each ministry has done over the previous year, what is planned for the coming year, what targets have been set and how results will be measured. It also includes a summary of the previous year's expenditure items. Copies may be obtained free by mail from Publications Ontario Mail Order, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8; by calling (416) 326-5300, toll-free 1-800-668-9938; or by visiting the Publications Ontario Bookstore at 880 Bay Street, Toronto. For electronic access, go to <http://www.gov.on.ca/MBS/english/mbs/businessplans.html>.

## **Ontario Finances**

This is a quarterly report on the performance of the government's Budget for the fiscal year. It covers developments during a quarter and provides a revised outlook for the remainder of the year. Copies may be obtained free by writing to the Ministry of Finance, Communications Branch, 3rd Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Z1. For electronic access, go to <http://www.gov.on.ca/FIN/english/oecoeng.htm>.

## **Ontario Economic Accounts**

This quarterly report contains data on Ontario's economic activity. Copies may be obtained free by writing to the Ministry of Finance, Communications Branch, 3rd Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Z1. For electronic access, go to <http://www.gov.on.ca/FIN/english/oecoeng.htm>.

## Introduction

The financial statements of the Province of Ontario include the following:

- a statement of the government's responsibilities for preparing the financial statements and for maintaining systems of financial management and internal control;
- the Provincial Auditor's report on the financial statements;
- a summary of the significant accounting policies that underlie the recording and disclosure of the financial activities of the Province in these financial statements;
- the Statement of Revenue, Expenditure and Net Debt, showing revenues generated from taxes and other sources less expenditures incurred during the year;
- the Statement of Financial Position, showing debts for past operations that will require payment from future resources less financial resources that are available to pay debts or provide future public services;
- the Statement of Cash Flows, identifying financial resources used during the year to provide for operations and sources of financing made available for operations; and
- the notes and schedules to the financial statements, which form an integral part of the financial statements and provide further explanatory information and detail on the balances contained in the various statements.

### **Basis of Government Accounting**

These financial statements reflect the implementation of accrual and consolidation accounting as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the *CICA Handbook* for private and public sector corporations in Canada.

### **Financial Statement and Budgetary Accounting—Modified Accrual Basis**

On a modified accrual basis, the effect of financial transactions is recognized as they occur rather than when cash is received or paid. Revenues are recognized when earned, financial assets when acquired and expenditures when incurred.

## **Appropriation Control—Modified Cash Basis**

Spending estimates for the Legislature are prepared on an accounting basis different from that used in preparing the financial statements. The modified cash basis is used in Volumes 1 and 3 of the Public Accounts of Ontario in accounting for spending under authorities of the Legislature.

On the cash basis, revenues are recognized when cash is collected and expenditures are recognized when cheques are issued or cash is disbursed. The cash basis of accounting used by the Province is modified to allow for an additional 30 days to pay for and record goods and services received during the fiscal year just ended and for certain non-cash transactions.

# **Financial Statements**





## Statement of Responsibility for the Financial Statements

The financial statements are prepared by the Government of Ontario in compliance with legislation, and in accordance with accounting principles as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the *CICA Handbook* for private and public sector corporations in Canada. The government accepts responsibility for the objectivity and integrity of the financial statements.

The government is also responsible for maintaining systems of financial management and internal control to ensure with reasonable certainty that the transactions recorded in the financial statements are within statutory authority, assets are properly safeguarded and financial records are reliable in preparation of these financial statements.

The financial statements have been audited by the Provincial Auditor of Ontario and his report follows.



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Dr. Robert Christie  
Deputy Minister  
July 31, 2001



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Gabriel F. Sékaly  
Assistant Deputy Minister  
July 31, 2001



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Robert Siddall, CA  
Provincial Controller  
July 31, 2001



## **Auditor's Report**

To the Legislative Assembly of the  
Province of Ontario

I have audited the statement of financial position of the Province of Ontario as at March 31, 2001 and the statements of revenue, expenditure and net debt and of cash flows for the year then ended. These financial statements are the responsibility of the Government of Ontario. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Province as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles recommended for governments by The Canadian Institute of Chartered Accountants. As required by section 12 of the *Audit Act*, I also report that, in my opinion, these accounting principles have been applied, in all material respects, on a basis consistent with that of the preceding year.

A handwritten signature in black ink, appearing to read 'Erik Peters'.

Toronto, Ontario  
July 31, 2001

Erik Peters, FCA  
Provincial Auditor

## Summary of Significant Accounting Policies

These financial statements reflect accrual and consolidation accounting as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the *CICA Handbook* for private and public sector corporations in Canada.

### Reporting Entity

These financial statements report the activities of the Consolidated Revenue Fund combined with those organizations that are accountable for the administration of their financial affairs and resources, either to a minister of the government or directly to the Legislature, and that are owned or controlled by the government. All of these organizations that meet one of the following criteria are separately consolidated: i) revenues, expenditures, assets or liabilities greater than \$50 million or ii) outside sources of revenues, deficit or surplus greater than \$10 million. A listing of these agencies is provided in Schedule 6. The activities of all other agencies are reflected in these financial statements through the accounts of the ministries responsible for them. Trusts administered by the government on behalf of other parties are excluded from the reporting entity. Information on trusts administered by the government is provided in Note 11.

### Principles of Consolidation

Government organizations, except for government business enterprises, are consolidated on a line-by-line basis with the Consolidated Revenue Fund in these financial statements. Where necessary, adjustments are made to present the accounts of these organizations on a basis consistent with the accounting policies described below, and to eliminate significant inter-organization accounts and transactions.

Government business enterprises are defined as those Crown corporations, boards and commissions that (i) have the financial and operating authority to carry on a business, (ii) have as their principal activity and source of revenue the selling of goods and services to individuals and non-government organizations and (iii) are able to maintain their operations and meet their obligations from revenues generated outside the government reporting entity. The activities of government enterprises are recorded in the financial statements using the modified equity method. Under this method, government enterprises are reported in accordance with the accounting principles generally accepted for business enterprises. Their combined net assets are included in the financial statements as Investment in Government Business Enterprises on the Statement of Financial Position and their combined net income is shown as a separate item on the Statement of Revenue, Expenditure and Net Debt.

Special reporting status is accorded to the Ontario Electricity Financial Corporation (OEFC), a government organization. The financial statements report the net impact of OEFC's excess of revenues over expenses as Decrease in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers and its Unfunded Liability as Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers in the Statement of Revenue, Expenditure and Net Debt. This accounting reflects the legislative structure put in place to ensure OEFC's revenues are derived from the electricity sector ratepayer and not the taxpayer, and that these revenues can be used only to service and retire OEFC debt. Further information on this can be found in Note 4.

### **Measurement Uncertainty**

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty in these financial statements and notes thereto exists in the accruals for pension obligations, personal income tax, corporations tax, restructuring charges and the stranded debt from electricity sector restructuring.

The nature of the uncertainty in the pension accrual arises because actual results may differ significantly from the Province's best estimates of expected results. Uncertainty related to the accrual for personal income tax and corporations tax arises because of the possible differences between the estimated and actual economic growth and related impact on taxes receivable. Uncertainty exists with respect to restructuring charges as the actual expenditures, incurred in the transfer and restructuring of certain programs and services, may differ from the initial estimates of expected costs.

Uncertainty in the stranded debt from electricity sector restructuring arises from the numerous estimates and assumptions made about the future defeasance of this debt. As well, certain future indemnities remain to be determined.

Estimates are based on the best information available at the time of preparation of the financial statements and are adjusted annually to reflect new information as it becomes available.

## **Revenue**

Revenues are recognized in the fiscal year that the events to which they relate occur. Amounts received or receivable prior to the end of the year, which relate to revenues that will be earned in a subsequent fiscal year, are deferred and reported as liabilities.

## **Expenditure**

Expenditures are recognized in the fiscal year to which they relate.

Grants are recognized in the period during which the expenditure is authorized, all eligibility criteria are met and a reasonable estimate of the amount can be made.

The pension expenditure comprises the cost of pension benefits earned by employees during the year, interest on the pension benefits liability net of pension plan assets and amortization of the government's share of any experience gains or losses, less contributions made by the employees. The estimated total cost of the government's share of plan amendments related to past service is recorded as an expenditure in the year the plan is amended.

For significant capital leases entered into by the Province, an amount equal to the present value of the minimum lease payments required over the term of the lease is recorded as an expenditure at the inception of the lease, with an offsetting liability recorded for the lease obligation.

## **Liabilities**

Liabilities are recorded to the extent that they represent obligations of the government to outside parties as a result of events and transactions occurring prior to the year-end.

Liabilities include probable losses on loan guarantees issued by the government, and contingencies when it is likely that a loss will be realized and the amount can be reasonably determined.

Liabilities include obligations to government business enterprises.

## **Debt Issued for Provincial Purposes and Debt Issued for Investment in Electricity Sector**

Debt is comprised of treasury bills, commercial paper, medium and long-term notes, savings bonds, debentures and loans.



Debt denominated in foreign currencies that has been hedged is recorded at the Canadian dollar equivalent using the rates of exchange established by the terms of the agreements. Other foreign currency debt, liabilities and assets are translated to Canadian dollars at year-end rates of exchange and any exchange gains or losses are amortized over the remaining term to maturity.

Interest on Debt Issued for Provincial Purposes and Debt Issued for Investment in Electricity Sector includes i) interest on outstanding debt; ii) amortization of foreign exchange gains or losses; iii) amortization of debt discounts, premiums and commissions; iv) amortization of deferred hedging gains and losses; and v) interest income on investments and loans.

The Province uses derivative financial instruments (derivatives) for the purposes of minimizing interest costs and risk management. Derivatives are financial contracts, the value of which are derived from underlying assets. Gains or losses arising from derivative transactions are deferred and amortized over the remaining life of the related debt issue.

### **Pensions**

The pension liability comprises the value of pension benefits attributed to services rendered by employees and former employees, unamortized experience gains or losses, various adjustments for items such as different fiscal year-ends between the pension plans and the Province, unused experience gains or losses and enhancement costs attributable to plan partners rather than the Province, less assets of the plans.

The pension liability is calculated on an actuarial basis using the government's best estimates of future inflation rates, investment returns, employee salary levels and other underlying assumptions. When actual plan experience differs from that expected, or when assumptions are revised, gains and losses arise. These gains and losses are amortized over the average remaining service life of plan members.

### **Financial Assets**

Financial assets include cash and claims by the Province arising from events and transactions occurring prior to the year-end.

Temporary investments are recorded at the lower of cost or fair value.

Properties held for sale are stated at the lower of cost and net realizable value. Costs include acquisition costs, property taxes, development costs, capitalized interest and administrative costs, less net interim property rents and expenditures.

Investment in Government Business Enterprises represents the net assets of government business enterprises recorded on the modified equity basis as described under Principles of Consolidation.

Loans receivable with significant concessionary terms are recorded at the date of issuance at face value discounted by the amount of the grant portion. The grant portion is recognized as an expenditure at the date of issuance of the loan. The amount of the loan discount is amortized to revenue over the term of the loan.

## **Tangible Capital Assets**

In 1997 the Public Sector Accounting Board (PSAB) approved accounting standards for the tangible capital assets of governments. The Province has not yet implemented these standards. In May 2001 PSAB issued a Statement of Principles on the Government Reporting Model, which includes proposed changes to the financial reporting standards for tangible capital assets. These changes would result in tangible capital assets being reported on the Statement of Financial Position.

In December 1999 the Province reconvened the Ontario Financial Review Commission with a mandate that included a review of the Province's accounting for tangible capital assets. In their report, "Raising the bar: Enhanced Accountability to the People of Ontario," issued in May 2001, the Commission recommended that the government begin immediately to develop the information needed to adopt existing Public Sector Accounting Board (PSAB) standards for reporting tangible capital assets. The government plans to pursue implementation of these standards and will begin by establishing a framework and processes necessary to support the adoption of these PSAB standards. In the interim, except for government business enterprises that capitalize assets purchased or constructed, the Province continues to charge the full cost of tangible capital assets to operations in the year of purchase or construction. The tangible capital assets of government business enterprises are included in the Statement of Financial Position under Investments in Government Business Enterprises.

## **Trust Funds**

Trust funds that have been deposited into the Consolidated Revenue Fund are included in Other Liabilities on the Statement of Financial Position.

Province of Ontario

Statement of Revenue, Expenditure and Net Debt

	Budget <sup>1</sup> 2001	Actual 2001	Actual 2000
<b>For the year ended March 31</b>			
<b>(\$ Millions)</b>			
<b>Revenue (Schedule 1)</b>			
Personal Income Tax	17,530	<b>18,624</b>	17,617
Retail Sales Tax	13,400	<b>13,735</b>	12,879
Corporations Tax	8,765	<b>9,200</b>	8,095
Employer Health Tax	3,320	<b>3,424</b>	3,118
Gasoline and Fuel Taxes	2,925	<b>2,820</b>	2,819
Other Taxes	1,383	<b>1,479</b>	1,353
Total Taxation	47,323	<b>49,282</b>	45,881
Government of Canada	6,032	<b>6,129</b>	5,885
Income from Investment in Government Business Enterprises (Schedule 7)	3,423	<b>4,000</b>	3,708
Other Revenue	5,282	<b>5,271</b>	7,457
	62,060	<b>64,682</b>	62,931
<b>Expenditure (Schedules 2 and 3)</b>			
Health	22,279	<b>22,993</b>	22,006
Education and Training	10,751	<b>10,609</b>	11,971
Social Services	9,254	<b>9,602</b>	9,483
Interest on Provincial Purpose Debt	8,940	<b>8,896</b>	8,977
Environment, Resources and Economic Development	4,545	<b>4,767</b>	5,172
Justice	2,475	<b>2,502</b>	2,312
General Government	2,296	<b>1,304</b>	1,085
Interest on Debt Issued for Investment in Electricity Sector (Note 3)	520	<b>520</b>	520
Provision for Electricity Sector (Note 4)		<b>408</b>	383
	61,060	<b>61,601</b>	61,909
Reserve	1,000		
Decrease (Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers (Note 4)		<b>244</b>	(354)
<b>Surplus</b>	<b>0</b>	<b>3,325</b>	<b>668</b>
<b>Balance, End of Year</b>			
Net Provincial Debt		<b>110,634</b>	113,715
Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers (Note 4)		<b>19,790</b>	19,787
Net Provincial Debt and Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers		<b>130,424</b>	133,502

See accompanying Notes and Schedules to the Financial Statements.

<sup>1</sup> Fiscal plan for the year ended March 31, 2001 per 2000 Ontario Budget.



## Province of Ontario

## Statement of Financial Position

As at March 31 (\$ Millions)	2001	2000
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities (Schedule 4)	10,829	12,354
Debt Issued for Provincial Purposes (Notes 1, 2)	105,793	106,137
Debt Issued for Investment in Electricity Sector (Note 3)	8,885	8,885
Deposits with the Province of Ontario Savings Office (Note 5)	2,482	2,812
Pensions (Note 6)	2,914	4,846
Other Liabilities (Note 7)	2,264	1,820
Provision for Electricity Sector (Note 4)	791	383
	<b>133,958</b>	<b>137,237</b>
<b>Financial Assets</b>		
Cash and Temporary Investments (Note 8)	5,920	6,882
Accounts Receivable (Schedule 5)	3,825	3,480
Other Loans Receivable	615	633
Other Assets	408	409
Properties Held for Sale	112	210
Investment in Government Business Enterprises (Schedule 7)	12,444	11,908
	<b>23,324</b>	<b>23,522</b>
<b>Net Provincial Debt</b>	<b>110,634</b>	<b>113,715</b>
Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers (Note 4)	19,790	19,787
<b>Net Provincial Debt and Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers</b>	<b>130,424</b>	<b>133,502</b>

Contingent Liabilities (Note 9) and Commitments (Note 10)

See accompanying Notes and Schedules to the Financial Statements.

Province of Ontario

Statement of Cash Flows

For the year ended March 31 (\$ Millions)	2001	2000
<b>Cash Flows from (used in) Operating Activities</b>		
Surplus for the Year	3325	668
Adjustments for:		
Income from Investment in Government Business Enterprises (Schedule 7)	(4,000)	(3,708)
Remittances from Government Business Enterprises (Schedule 7)	3,464	2,456
Increase (Decrease) in Liability for Pensions	(1,932)	(1,582)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(1,525)	921
Increase in Provision for Electricity Sector (Note 4)	408	383
Other Items	(28)	3,665
<b>Cash Flows from (used in) Operating Activities</b>	<b>(288)</b>	<b>2,803</b>
<b>Cash Flows from (used in) Investing Activities</b>		
Investment in Ontario Power Generation Inc. and Hydro One Inc.		(8,885)
<b>Cash Flows from (used in) Financing Activities</b>		
Debt Issued for Provincial Purposes	10,002	10,145
Debt Retired for Provincial Purposes	(10,346)	(9,141)
Debt Issued for Investment in Electricity Sector		8,885
Increase (Decrease) in Deposits with the Province of Ontario Savings Office	(330)	295
<b>Cash Flows from (used in) Financing Activities</b>	<b>(674)</b>	<b>10,184</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(962)	4,102
Cash and Cash Equivalents at Beginning of Year	6,882	2,780
<b>Cash and Cash Equivalents at End of Year</b>	<b>5,920</b>	<b>6,882</b>

See accompanying Notes and Schedules to the Financial Statements.

## Province of Ontario

## Notes to the Financial Statements

(all tables in millions of dollars)

## 1. Debt Issued for Provincial Purposes

The Province borrows in both domestic and international markets to fund its deficits and to refinance maturing debt. The following table presents the maturity schedule of the Province's outstanding debt, by currency of repayment, expressed in Canadian dollars.

Debt Issued for Provincial Purposes As at March 31								2001	2000
Currency <sup>1</sup>	Canadian Dollar	U.S. Dollar	Japanese Yen	Deutsche Mark	French Franc	Other Currencies <sup>2</sup>	Total	Total	Total
<b>Fiscal Year Payable</b>									
2001								\$	11,465
2002	\$ 7,065	1,770	1,778	-	-	469	\$ 11,082		7,896
2003	4,196	6,332	192	-	-	886	11,606		11,621
2004	6,321	156	243	1,246	-	249	8,215		7,461
2005	6,911	1,405	701	-	-	847	9,864		9,506
2006	8,056	4,768	676	-	-	46	13,546		-
1–5 years	32,549	14,431	3,590	1,246	-	2,497	54,313		47,949
6–10 years	18,723	1,989	1,659	-	1,709	207	24,287		30,401
11–15 years	5,795	-	-	-	-	-	5,795		7,570
16–20 years	1,873	-	-	-	-	-	1,873		1,255
21–25 years	6,033	-	-	-	-	-	6,033		4,600
26–50 years <sup>3</sup>	13,492	-	-	-	-	-	13,492		14,362
<b>Total<sup>4</sup></b>	<b>\$ 78,465</b>	<b>16,420</b>	<b>5,249</b>	<b>1,246</b>	<b>1,709</b>	<b>2,704</b>	<b>\$ 105,793</b>		<b>\$ 106,137</b>
The effective interest rate <sup>1</sup> (weighted average) as at March 31, on the above debt are:									
2001	<b>8.51%</b>	<b>8.10%</b>	<b>6.73%</b>	<b>7.57%</b>	<b>6.18%</b>	<b>6.64%</b>	<b>8.27%</b>		
2000	8.80%	8.23%	6.63%	6.97%	6.12%	7.16%			8.46%

<sup>1</sup> The balances and interest rates above reflect the effect of related derivative contracts, as discussed in Note 2 (Risk Management and Derivative Financial Instruments).

<sup>2</sup> Other Currencies comprise: Australian Dollar, Euro, Greek Drachma, Netherlands Guilder, Norwegian Kroner, New Zealand Dollar, Pound Sterling and Swiss Franc.

<sup>3</sup> The longest term to maturity is to March 1, 2045.

<sup>4</sup> Total foreign currency denominated debt at March 31, 2001 was \$27.3 billion (2000, \$31.0 billion), of which \$25.3 billion or 92.7% (2000, \$29.3 billion or 94.4%) was fully hedged to Canadian dollar.

Debt Issued for Provincial Purposes			
As at March 31		2001	2000
Debt Payable to:			
Public investors	\$	76,929	\$ 76,405
Ontario Teachers' Pension Plan		11,535	12,252
Canada Pension Plan Investment Fund		10,442	10,369
Public Service Pension Plan		3,446	3,535
OPSEU Pension Plan		1,637	1,679
Canada Mortgage and Housing Corporation		1,147	1,181
The Ontario Municipal Employees' Retirement Fund		569	622
Colleges of Applied Arts and Technology Pension Plan		81	86
Ryerson Retirement Pension Plan		7	8
Total Debt Issued for Provincial Purposes	\$	105,793	\$ 106,137

Fair value of debt issued approximates amounts at which debt instruments could be exchanged in a current transaction between willing parties. In valuing the Province's debt, fair value is estimated using discounted cash flows and other valuation techniques and is compared to public market quotations where available. These estimates are affected by the assumptions made concerning discount rates and the amount and timing of future cash flows.

The estimated fair value of Debt Issued for Provincial Purposes at March 31, 2001 was \$121.2 billion (2000, \$119.2 billion). This is higher than the book value of \$105.8 billion (2000, \$106.1 billion) because current interest rates are generally lower than the interest rates at which the debt was issued and because of exchange rate movements. The fair value of debt does not reflect the effect of related derivative contracts.

## 2. Risk Management and Derivative Financial Instruments

The Province accesses both domestic and foreign markets in its efforts to issue debt in the most cost-effective manner. The Province's participation in the world's capital markets brings with it certain risks. The Province employs prudent risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is well managed. A variety of strategies are used, including the use of derivative financial instruments ("derivatives").

Derivatives are financial contracts, the value of which are derived from underlying assets. The Province uses derivatives for the purpose of hedging and minimizing interest costs. Derivative instruments used by the Province include interest rate and currency swaps, forward foreign exchange contracts, forward rate agreements, futures and options.

Foreign exchange or currency risk is the risk of debt servicing costs and principal payments varying due to fluctuations in foreign exchange rates. To minimize currency risk, the Province uses derivative contracts to convert foreign currency cash flows into Canadian dollar denominated cash flows. The Province's current policy allows unhedged foreign exchange exposure up to 5 per cent of Debt Issued for Provincial Purposes, Debt Issued for Investment in Electricity Sector and Deposits with the Province of Ontario Savings Office. At year-end, 1.7 per cent (2000, 1.4 per cent) of this debt was unhedged, with most of the currency exposure to U.S. dollars.

Interest rate reset risk is the exposure to the Province of changing interest rates over a 12-month period. It is the sum of floating rate exposure, net of liquid reserves, and maturing fixed rate debt as a percentage of Debt Issued for Provincial Purposes, Debt Issued for Investment in Electricity Sector and Deposits with the Province of Ontario Savings Office. The Province is limited to a maximum interest rate reset exposure of 25 per cent of the above liabilities. For the fiscal year 2000–2001, the Province's interest rate reset exposure averaged 12.28 per cent (2000, 14.26 per cent). As at March 31, 2001, the interest rate reset exposure was 9.7 per cent (2000, 9.9 per cent).

Liquidity risk is the risk that the Province will not be able to meet its current short-term financial obligations. To reduce liquidity risk, the Province maintains liquid reserves, i.e., cash and temporary investments (Note 8), at levels that will meet future cash requirements and will give the Province flexibility in the timing of issuing debt. In addition, the Province has short-term note programs as contingent sources of liquidity.



The table below presents a maturity schedule of the Province's derivatives, by type, outstanding at March 31, 2001, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts, are not indicative of credit or market risk and are not representative of actual cash flows.

<b>Derivative Portfolio Notional Value</b>									
<b>As at March 31</b>								<b>2001</b>	<b>2000</b>
Maturity in						6–10	over 10		
Fiscal Year	2002	2003	2004	2005	2006	years	years	Total	Total
<b>Swaps:</b>									
Interest rate	\$ 5,127	10,017	1,355	3,931	7,990	10,441	1,496	\$ 40,357	\$ 41,888
Cross currency	6,297	8,037	3,682	4,268	6,093	5,068	-	33,445	38,089
Other <sup>1</sup>	1,859	-	-	-	-	-	-	1,859	1,473
<b>Total</b>	<b>\$ 13,283</b>	<b>18,054</b>	<b>5,037</b>	<b>8,199</b>	<b>14,083</b>	<b>15,509</b>	<b>1,496</b>	<b>\$ 75,661</b>	<b>\$ 81,450</b>

<sup>1</sup> Other includes forward foreign exchange contracts, futures, spreadlocks, foreign exchange and bonds options and forward rate agreements.

Derivatives introduce credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which the Province has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 2001.

<b>Credit Risk Exposure</b>		
<b>As at March 31</b>		
	<b>2001</b>	<b>2000</b>
Gross credit risk exposure <sup>1</sup>	\$ 4,899	\$ 3,674
Less: Netting agreements <sup>2</sup>	(2,002)	(1,995)
<b>Net Credit Risk Exposure<sup>3</sup></b>	<b>\$ 2,897</b>	<b>\$ 1,679</b>

<sup>1</sup> Gross credit risk exposure includes credit exposure on swaps, options, futures, forward rate agreements and forward foreign exchange agreements.

<sup>2</sup> Contracts do not have coterminous settlement dates. Netting agreements use generally accepted forms and terms developed by the International Swaps and Derivatives Association (ISDA).

<sup>3</sup> Based on ISDA definitions, total exposure to counterparties with positive exposure (meaning that counterparties owed the Province) was \$4,899 million (2000, \$3,674 million) and the total exposure to counterparties with negative exposure (meaning that the Province owed the counterparties) was \$3,590 million (2000, \$3,283 million) for a total unrealized net asset of \$1,309 million (2000, \$391 million). Included in the \$3,590 million in negative exposures is an unrealized loss to the Province of \$1,588 million (2000, \$1,288 million) resulting from negative exposure to counterparties where there is no offsetting positive exposure. Accordingly, the \$2,002 million in netting agreements above do not include these items.

The Province limits its credit risk exposure on derivatives by entering into contractual netting agreements with virtually all of its counterparties, which enable it to settle derivative contracts on a net basis in the event of a counterparty default.

The Province also manages its credit risk exposure by monitoring compliance with credit and risk limits regularly and by dealing with counterparties with good credit ratings. All of the Province's swap counterparties hold a "BBB+" rating or higher. At year-end, 84 per cent (2000, 81 per cent) of the notional amount of swaps outstanding was with financial institutions holding an "AA-" or higher rating. Counterparties for money market and foreign exchange transactions generally have at least an R1-mid rating by Dominion Bond Rating Service or an A-1 or P-1 rating by Standard and Poor's or Moody's respectively.

At March 31, 2001, the Province's most significant concentrations of credit risk were with two "A+" or higher rated counterparties, each of which represented more than 10 per cent of the Net Credit Risk Exposure. The net cost to the Province, if it had to replace all of the swap contracts with these two counterparties is \$1,378 million and \$449 million, respectively.

### **3. Debt Issued for Investment in the Electricity Sector**

Debt Issued for Investment in the Electricity Sector represents debt of \$8.9 billion (2000, \$8.9 billion), payable to the Ontario Electricity Financial Corporation (OEFC), which bears interest at 5.85 per cent, payable monthly, with maturities due from 2039 to 2041.

On April 1, 1999, pursuant to the *Energy Competition Act, 1998*, Ontario Hydro was continued as the OEFC and the respective business units (including assets, liabilities, employees, rights and obligations of the former Ontario Hydro) were transferred to Ontario Power Generation Inc. (OPG), Hydro One Inc. (HOI), their subsidiaries, and the Independent Electricity Market Operator (IMO) in exchange for debt payable to the OEFC. On the same day, the Province assumed \$8.9 billion of debt payable to the OEFC in exchange for an investment of \$5.1 billion and \$3.8 billion in the equity of OPG and HOI respectively. The Province's interest on this debt amounted to \$520 million (2000, \$520 million) this year.

#### 4. Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers

The OEFC assumed approximately \$38.1 billion in total liabilities from the former Ontario Hydro on April 1, 1999. The OEFC received notes from the Province, OPG, HOI and the IMO amounting to \$17.2 billion and other assets of \$1.5 billion. The difference of approximately \$19.4 billion represented “stranded debt”, defined for financial statement purposes as the amount of debt and other liabilities of OEFC that cannot reasonably be serviced and retired in a competitive electricity market. This stranded debt is included on the Statement of Financial Position as Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers.

<b>Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers As at March 31</b>		
	<b>2001</b>	<b>2000</b>
Balance at beginning of year	\$ 19,787	\$ 19,433
Adjustment during the year re: transfer of working capital to OPG and HOI	247	—
Adjusted balance	20,034	19,433
Decrease (Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers (see table below)	244	(354)
<b>Balance at end of year</b>	<b>\$ 19,790</b>	<b>\$ 19,787</b>

Under the *Electricity Act, 1998*, revenues of OEFC are applied to cover costs of operations and debt retirement. The government has a long-term plan in place to retire the OEFC debt from within the electricity sector. A legislated structure has been implemented to ensure that the OEFC's revenues are derived strictly from the electricity sector and not from taxpayers, and to ensure that these revenues be used to service and retire OEFC debt and not be used by the Province.

The government's long-term plan is to repay OEFC's obligations from the following sources:

- Notes receivable of \$8.9 billion (2000, \$8.9 billion) from the Province, \$3.3 billion (2000, \$3.4 billion) from OPG, \$3.4 billion (2000, \$4.8 billion) from HOI, and \$78 million (2000, \$78 million) from IMO, for a total of \$15.7 billion (2000, \$17.2 billion);
- Payments-in-lieu (PILs) of corporate income, property and capital taxes made by OPG, HOI and municipal electric utilities (MEUs), which amounted to \$988 million this year (2000, \$889 million).
- A Debt Retirement Charge, to be paid by ratepayers based on the consumption of electricity, which has not been implemented because the electricity market has not yet been opened to competition. Prior to this opening, OEFC received \$748 million (2000, \$172 million) this year from revenue pool residual income. This pool, managed by OPG, collects revenues from electricity consumers and allocates revenues to OPG, HOI, and IMO, with the residual going to OEFC.



- A Provision for Electricity Sector, whereby the combined net income of OPG and HOI in excess of the Province's interest on Debt Issued for Investment in Electricity Sector of \$520 million (2000, \$520 million), is set aside for the retirement of OEFC's debt. In 2000–2001 net income of OPG and HOI amounted to \$542 million (2000, \$512 million) and \$386 million (2000, \$391 million), respectively. Consequently, the Provision for Electricity Sector increased by \$408 million this year to \$791 million (2000, \$383 million).

Based on the long-term plan, it is estimated that the OEFC's obligations will be defeased in the years ranging from 2010 to 2017.

OEFC's excess of revenue over expenses, for the year ended March 31, 2001, is reflected on the Province's Statement of Revenue, Expenditure and Net Debt, as Decrease in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers, and is comprised of the following:

<b>OEFC Revenues and Expenses</b>		
<b>For the year ended March 31</b>	<b>2001</b>	<b>2000</b>
Revenue		
Payments-in-lieu of tax	\$ 988	\$ 889
Revenue pool residual income	748	172
Electricity sector excess income	408	383
Interest	1,070	1,118
Power sales and other	722	768
	<b>3,936</b>	<b>3,330</b>
Expenses		
Interest	2,671	2,785
Power purchases and other	1,021	1,099
	<b>3,692</b>	<b>3,884</b>
		(554)
Adjustment for accrual of payments-in-lieu of tax revenue		200
<b>Decrease (Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers</b>	<b>\$ 244</b>	<b>\$ (354)</b>

See Volume 2 of the Public Accounts of Ontario for the complete financial statements of OEFC.

## 5. Deposits with the Province of Ontario Savings Office

The Province of Ontario Savings Office (POS0) accepts deposits from the general public, government and other public bodies. These deposits form part of the Consolidated Revenue Fund and are direct liabilities of the Province. The Ontario Financing Authority operates POS0 as agent of the Minister of Finance.

## 6. Pensions

<b>Pension Liability As at March 31</b>	<b>2001</b>	<b>2000</b>
Obligation for pension benefits	\$ 74,221	\$ 68,228
Less: pension fund net assets	(90,950)	(81,688)
Adjustments (see below)	9,613	8,361
Unamortized experience gains	10,030	9,945
<b>Pension Liability</b>	<b>\$ 2,914</b>	<b>\$ 4,846</b>

Adjustments in the above table are made for the following:

- i) amounts reported by the pension plans at December 31, instead of the Province's year-end of March 31;
- ii) net experience gains and enhancement costs that are attributable to plan partners rather than to the Province; and
- iii) pension contributions payable by the Province that are reflected in the pension plan assets.

<b>Pension Expenditure (Revenue) For the year ended March 31</b>	<b>2001</b>	<b>2000</b>
Cost of pension benefits	\$ 1,865	\$ 1,922
Amortization of experience gains	(1,182)	(1,091)
Employee contributions	(767)	(852)
Interest	(904)	(507)
<b>Total Pension Expenditure (Revenue)</b>	<b>\$ (988)</b>	<b>\$ (528)</b>

Experience gains are amortized over 12 to 14 years. The government's best estimate of the future inflation rate used in the pension calculations is 2.5 per cent.

### General

The Province is responsible for sponsoring several pension plans. The most significant plans are the Public Service Pension Plan (PSPP), the Ontario Public Service Employees' Union (OPSEU) Pension Plan, and the Ontario Teachers' Pension Plan (OTPP).

These three plans are defined benefit plans that provide Ontario government employees and elementary and secondary school teachers and administrators a guaranteed amount of retirement income. Benefits are based primarily on the best five-year average salary of members and their length of service, and are indexed to the Consumer Price Index to provide protection against inflation. Plan members and the Province are each responsible for matching contributions to the plans of between seven and nine per cent of the member's salary.

Funding of these plans is based on statutory actuarial valuations. Such valuations, undertaken at least every three years, use more conservative assumptions than the annual best estimates' valuations that are used for financial statement purposes. Under partnership agreements between the Province and OPSEU, and between the Province and the Ontario Teachers' Federation (OTF), gains and losses arising after January 1, 1993 from the statutory actuarial funding valuations are shared equally by the partners.

The Province had also committed to make additional payments over 40 years to eliminate the unfunded liabilities of all three plans that were identified in the January 1, 1990 statutory valuations. The unfunded liabilities of the OTPP and PSPP have been eliminated. The unfunded liability of the OPSEU Pension Plan was reduced to \$97 million as at March 31, 2001 (2000, \$135 million).

During the year, the government decided to amend the PSPP to extend the Factor 80 program for PSPP members from April 1, 2000 to March 31, 2002 to reduce contributions of PSPP members and the government by 4 per cent of annual salary from August 1, 2000 to November 30, 2002, and to permanently eliminate the offset for PSPP members receiving CPP disability. The past service cost of this amendment of \$64 million is included in 2000–2001 Pension Expenditure.

### Other Plans

The Province maintains accounts within the Consolidated Revenue Fund regarding pension and related benefit funds for the Provincial Judges Pension Fund and the Deputy Ministers' Supplementary Benefit Account. The obligations for pension benefits related to these funds total \$390 million (2000, \$380 million) and are included in Other Liabilities.

## 7. Other Liabilities

Other Liabilities include deferred revenues, pension and related benefit funds described in Note 6, externally restricted funds and other miscellaneous liabilities.

<b>Other Liabilities As at March 31</b>	<b>2001</b>	<b>2000</b>
Deferred Revenue:		
Federal Transfers	\$ 953	\$ 568
Vehicle & Driver Licences	200	173
Other	153	149
<b>Total Deferred Revenue</b>	<b>1,306</b>	<b>890</b>
<b>Funds</b>	<b>958</b>	<b>930</b>
<b>Other Liabilities</b>	<b>\$ 2,264</b>	<b>\$ 1,820</b>

Deferred Revenue—Federal Transfers						Total Transfer Received
Revenue Recognized						
For the year ended March 31	2000	2001	2002	2003	2004	
1999–2000 CHST Supplement	\$ 755	378	190	-	-	\$ 1,323
2000–2001 CHST Supplement	-	379	190	191	192	952
Medical Equipment Trust	-	190	190	-	-	380
Total	\$ 755	947	570	191	192	\$ 2,655

The Canada Health and Social Transfer (CHST) Supplements and Medical Equipment Trust are federal transfers received that are intended to provide funding for provincial expenditures over several accounting periods. Accordingly, they are recognized as revenue by the Province in the periods identified by the federal government. These federal transfers have been used to fund health care expenditures, including grants to hospitals for the purchase of medical equipment.

The Province provides a two-year vehicle plate licence and a multi-year (up to five years) driver licence renewal option. Amounts received under these options are recognized as revenue over the periods covered by the licences.

## 8. Cash and Temporary Investments

<b>Cash and Temporary Investments</b>		
<b>As at March 31</b>	<b>2001</b>	<b>2000</b>
Cash	\$ (944)	\$ (886)
Temporary investments	<b>5,654</b>	8,217
Add: assets purchased under resale agreements	<b>1,778</b>	1,770
Less: assets sold under repurchase agreements	<b>(568)</b>	(2,219)
	<b>6,864</b>	7,768
<b>Total Cash and Temporary Investments</b>	<b>\$ 5,920</b>	<b>\$ 6,882</b>

The fair value of temporary investments, including assets purchased and sold under resale and repurchase agreements, at March 31, 2001 is \$6.9 billion (2000, \$7.8 billion). Temporary investments primarily consist of investments in money market instruments and government bonds. Fair value is determined using quoted market prices.

A resale agreement is an agreement between two parties to purchase and subsequently resell a security at a specified price on a specified date. A repurchase agreement is an agreement between two parties to sell and subsequently repurchase a security at a specified price on a specified date.

## 9. Contingent Liabilities

Obligations Guaranteed by the Province As at March 31					
	2001	2001	2001	2000	2000
	Maximum Authorized	Outstanding	Provision	Outstanding	Provision
Debentures/Bonds and Notes of Ontario Electricity Financial Corporation	\$ 19,371	\$ 19,371	—	\$ 21,691	—
Loans guaranteed	3,034	2,816	\$ 532	2,804	\$ 697
Other	75	—	—	19	—
<b>Total</b>	<b>\$ 22,480</b>	<b>\$ 22,187</b>	<b>\$ 532</b>	<b>\$ 24,514</b>	<b>\$ 697</b>

The provision for loans guaranteed is based on an estimate of the likely loss arising from guarantees under the Ontario Student Support Program and is reflected in the Accrued Liabilities for Transfer Payments (Schedule 4).

### Provincial Guarantees of Ontario Electricity Financial Corporation

During the year OEFC paid the Province a fee of \$157 million (2000, \$194 million), for the provision of the debt guarantee.

### Social Housing - Loan Insurance Agreements

For all non-profit housing projects in the provincial portfolio, the Province is liable to indemnify and reimburse CMHC for any net costs, including any environmental liabilities, incurred as a result of defaults of projects, directly or indirectly, through the Ministry of Municipal Affairs and Housing or the Ontario Housing Corporation.

At March 31, 2001, there were \$10.4 billion (2000, \$10.4 billion) of mortgage loans outstanding. As operating subsidies provided are sufficient to ensure that all mortgage payments can be made when due, default is unlikely. To date, there have been no claims for defaults on insured mortgage loans.

### Claims Against the Crown

There are claims outstanding against the Crown of which 73 are for amounts over \$50 million. These claims arise from legal action, either in progress or threatened, in respect of aboriginal land claims, breach of contract, damages to persons and property and like items. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.



## 10. Commitments

The nature of the government's activities results in significant multi-year contracts and obligations. Major commitments that can be reasonably estimated are summarized as follows:

<b>Commitments</b>		
<b>As at March 31</b>	<b>2001</b>	<b>2000</b>
Transfer payments	\$ 7,240	\$ 3,188
Leases	891	887
Construction contracts	1,665	435
Other	2,424	1,821
<b>Total Commitments</b>	<b>\$ 12,220</b>	<b>\$ 6,331</b>

The following table summarizes the information presented above to indicate the minimum amounts required to satisfy obligations under commitments each year from 2002 to 2006 inclusive, and a total for amounts due in the year 2007 and subsequent years.

<b>Schedule of Minimum Payments</b>					
<b>As at March 31</b>					
<b>Minimum Payments to be Made in:</b>	<b>Transfer Payments</b>	<b>Leases</b>	<b>Construction Contracts</b>	<b>Other</b>	<b>Total</b>
2002	\$ 654	\$ 188	\$ 1,508	\$ 1,576	\$ 3,926
2003	538	159	111	336	1,144
2004	428	110	19	191	748
2005	444	84	12	61	601
2006	393	57	8	49	507
2007 and thereafter	4,783	293	7	211	5,294
<b>Total</b>	<b>\$ 7,240</b>	<b>\$ 891</b>	<b>\$ 1,665</b>	<b>\$ 2,424</b>	<b>\$ 12,220</b>

## 11. Trust Funds Under Administration

Summary financial information from the most recent financial statements of trust funds under administration is provided below.

<b>Workplace Safety and Insurance Board</b>		
<b>As at December 31</b>	<b>2000</b>	<b>1999</b>
Assets	\$ 11,395	\$ 10,479
Liabilities	17,070	16,881
Unfunded Liability	(5,675)	(6,402)
Revenues	3,880	3,833
Expenditures	3,153	2,929
Surplus	727	904
Change in accounting policy	-	(208)
Unfunded Liability, Beginning of Year	(6,402)	(7,098)
<b>Unfunded Liability, End of Year</b>	<b>\$ (5,675)</b>	<b>\$ (6,402)</b>

### **Other Trust Funds** **As at March 31, 2001**

	<b>Assets</b>	<b>Liabilities</b>	<b>Fund Balance/ (Unfunded Liability)</b>
The Public Guardian and Trustee for Province of Ontario	\$ 1,017	\$ 965	\$ 52
Motor Vehicle Accident Claims Fund	28	92	(64)

<b>As at December 31, 2000</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Fund Balance</b>
Deposit Insurance Corporation of Ontario	\$ 29	\$ 14	\$ 15

The most recent financial statements related to the significant trusts under administration are reproduced in Volume 2 of the Public Accounts of Ontario.

## 12. Comparative Figures

The comparative figures have been reclassified as necessary to conform to the 2001 presentation.





## Schedules to the Financial Statements

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## Province of Ontario

## Schedule 1: Revenue

	Budget 2001	Actual 2001	Actual 2000
<b>For the year ended March 31</b>			
<b>(\$ Millions)</b>			
<b>Taxation</b>			
Personal Income Tax	17,530	<b>18,624</b>	17,617
Retail Sales Tax	13,400	<b>13,735</b>	12,879
Corporations Tax	8,765	<b>9,200</b>	8,095
Employer Health Tax	3,320	<b>3,424</b>	3,118
Gasoline Tax	2,260	<b>2,172</b>	2,154
Fuel Tax	665	<b>648</b>	665
Land Transfer Tax	580	<b>642</b>	565
Tobacco Tax	510	<b>504</b>	481
Other Taxation	293	<b>333</b>	307
	<b>47,323</b>	<b>49,282</b>	45,881
<b>Government of Canada</b>			
Canada Health and Social Transfer	4,100	<b>4,138</b>	3,967
Canada Health and Social Transfer Supplements	757	<b>757</b>	755
Social Housing	533	<b>541</b>	466
Medical Equipment Trust	-	<b>190</b>	-
Indian Welfare Services Agreement	114	<b>131</b>	85
Bilingualism Development	64	<b>64</b>	65
Employability Assistance for People with Disabilities	66	<b>63</b>	65
Student Assistance	171	<b>40</b>	170
Other	227	<b>205</b>	312
	<b>6,032</b>	<b>6,129</b>	5,885
<b>Income from Investment in Government Business Enterprises (Schedule 7)</b>			
Ontario Power Generation Inc. and Hydro One Inc. (Note 4)	795	<b>928</b>	903
Other	2,628	<b>3,072</b>	2,805
	<b>3,423</b>	<b>4,000</b>	3,708
<b>Other</b>			
Local Services Realignment	1,572	<b>1,432</b>	1,678
Sale of Highway	-	-	1,616
Vehicle and Driver Registration Fees	920	<b>929</b>	911
Sales and Rentals	790	<b>637</b>	517
Other Fees and Licences	670	<b>660</b>	667
Liquor Licence Board of Ontario Revenues	530	<b>525</b>	539
Independent Electricity Market Operation Revenues	-	<b>344</b>	314
Royalties	240	<b>235</b>	345
Miscellaneous	560	<b>509</b>	870
	<b>5,282</b>	<b>5,271</b>	7,457
<b>Total Revenue</b>	<b>62,060</b>	<b>64,682</b>	62,931

**Province of Ontario**

**Schedule 2: Expenditure**

<b>For the year ended March 31 (\$ Millions)</b>	<b>2001</b>	<b>2000</b>
Salaries and Wages	3,525	3,415
Employee Benefits	631	553
Pensions (Note 6)	(988)	(528)
Transportation and Communication	327	296
Services	2,620	2,566
Supplies and Equipment	597	662
Acquisition/Construction of Physical Assets	1,121	1,300
Transfer Payments	43,432	43,532
Interest on Provincial Purpose Debt	8,896	8,977
Interest on Debt Issued for Investment in Electricity Sector (Note 3)	520	520
Provision for Electricity Sector (Note 4)	408	383
Restructuring	31	211
Other Transactions	481	22
<b>Total Expenditure</b>	<b>61,601</b>	<b>61,909</b>

## Province of Ontario

## Schedule 3: Expenditure by Ministry

	Budget 2001	Actual 2001	Actual 2000
<b>For the year ended March 31</b>			
<b>(\$ Millions)</b>			
<b>Ministry</b>			
Agriculture, Food and Rural Affairs	526	635	348
Attorney General	946	999	908
Board of Internal Economy	121	116	154
Citizenship	79	77	95
Community and Social Services	7,524	7,634	7,532
Consumer and Business Services	146	155	134
Correctional Services	747	688	687
Economic Development and Trade	99	81	92
Education	8,031	7,965	8,024
Teachers' Pension (Note 6)	(711)	(779)	(363)
Energy, Science and Technology	241	550	1,085
Environment	223	212	335
Executive Offices	22	21	19
Finance	1,527	1,414	1,076
Interest on Provincial Purpose Debt	8,940	8,896	8,977
Interest on Debt Issued for Investment in Electricity Sector (Note 3)	520	520	520
Provision for Electricity Sector (Note 4)	-	408	383
Health and Long-Term Care	22,279	22,993	22,001
Intergovernmental Affairs	5	4	4
Labour	100	104	101
Management Board Secretariat	1,475	238	248
Public Service/OPSEU Pensions (Note 6)	(248)	(209)	(165)
Municipal Affairs and Housing	1,646	1,792	1,655
Ontario Native Affairs Secretariat	24	21	22
Natural Resources	459	482	556
Northern Development and Mines	547	425	334
Office of Francophone Affairs	4	4	3
Solicitor General	864	911	816
Tourism, Culture and Recreation	477	392	598
Training, Colleges and Universities	3,431	3,423	4,313
Transportation	1,336	1,429	1,417
Year-End Savings <sup>1</sup>	(320)		
<b>Total Expenditure</b>	<b>61,060</b>	<b>61,601</b>	<b>61,909</b>

<sup>1</sup> For Budget purposes, this item was not allocated to individual ministries.

Province of Ontario

**Schedule 4: Accounts Payable and Accrued Liabilities**

As at March 31 (\$ Millions)	2001	2000
Transfer Payments	3,514	5,112
Interest on Provincial Purpose Debt	3,420	3,360
Salaries, Wages and Benefits	1,375	1,409
Restructuring	1,237	1,457
Other	1,097	834
Obligations Under Capital Leases	106	130
Deferred Hedging	80	52
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>10,829</b>	<b>12,354</b>

Province of Ontario

**Schedule 5: Accounts Receivable**

As at March 31 (\$ Millions)	2001	2000
Taxes	3,390	2,786
Transfer Payments <sup>1</sup>	1,774	1,694
Other Accounts Receivable	432	393
Local Services Realignment	602	665
	<b>6,198</b>	<b>5,538</b>
Less: Provision for Doubtful Accounts <sup>1</sup>	(2,468)	(2,214)
	<b>3,730</b>	<b>3,324</b>
Government of Canada	95	156
<b>Total Accounts Receivable</b>	<b>3,825</b>	<b>3,480</b>

<sup>1</sup> The transfer payment receivable consists primarily of recoverables of \$769 million (2000, \$832 million) for the Ontario Disability Support Program —Financial Assistance and \$865 million (2000, \$727 million) for the Student Support program. The provision for doubtful accounts includes a provision of \$698 million (2000, \$745 million) for Ontario Disability Support Program-Financial Assistance and \$735 million (2000, \$618 million) for Student Support.



## Province of Ontario

**Schedule 6: Government Business Enterprises and Other Government Organizations<sup>1</sup>**

<b>Government Enterprises</b>	<b>Responsible Ministry</b>
Algonquin Forestry Authority (AFA)	Natural Resources
Hydro One Inc. (HOI)	Energy, Science and Technology
Liquor Control Board of Ontario (LCBO)	Consumer and Business Services
Niagara Parks Commission (NPC)	Tourism, Culture & Recreation
Ontario Clean Water Agency (OCWA)	Environment
Ontario Development Corporation (ODC)	Economic Development and Trade
Ontario Lottery and Gaming Corporation (OLGC) <sup>2</sup>	Management Board Secretariat
Ontario Northland Transportation Commission (ONTC)	Northern Development and Mines
Ontario Power Generation Inc. (OPG)	Energy, Science and Technology
<b>Other Government Organizations</b>	
Agricorp	Agriculture, Food and Rural Affairs
Cancer Care Ontario	Health and Long-Term Care
Independent Electricity Market Operator	Energy, Science and Technology
Legal Aid Ontario	Attorney General
Metropolitan Toronto Convention Centre (MTCC)	Tourism, Culture & Recreation
Northern Ontario Heritage Fund Corporation	Northern Development and Mines
Ontario Educational Communications Authority (TV Ontario)	Training, Colleges and Universities
Ontario Electricity Financial Corporation (OEFC)	Finance
Ontario Financing Authority	Finance
Ontario Housing Corporation	Municipal Affairs and Housing
Ontario Place Corporation	Tourism, Culture & Recreation
Ontario Realty Corporation	Management Board Secretariat
Ontario Science Centre	Tourism, Culture and Recreation
Ontario Securities Commission	Finance
Ontario Trillium Foundation	Tourism, Culture and Recreation
Royal Ontario Museum	Tourism, Culture and Recreation
Toronto Area Transit Operating Authority (Go Transit)	Transportation

<sup>1</sup> The most recent audited financial statements of these Crown agencies are reproduced in Volume 2 of the Public Accounts of Ontario.

<sup>2</sup> Effective April 1, 2000 the Ontario Lottery Corporation and the Ontario Casino Corporation merged to form the Ontario Lottery and Gaming Corporation.

Province of Ontario

Schedule 7: Investment in Government Business Enterprises

	AFA	HOI	LCBO	NPC
For the year ended (\$ Millions)	March 31, 2001	Dec. 31, 2000	March 31, 2001	Oct. 31, 2000
<b>Assets</b>				
Cash/Temporary Investments	2	-	48	10
Accounts Receivable	4	589	16	3
Inventories	-	65	261	5
Prepaid Expenses	-	-	6	-
Long-term Investments	-	-	-	-
Fixed Assets	2	8,519	187	121
Other Assets	2	824	-	-
<b>Total Assets</b>	<b>10</b>	<b>9,997</b>	<b>518</b>	<b>139</b>
<b>Liabilities</b>				
Bank Indebtedness	-	24	-	-
Accounts Payable	-	372	232	10
Dividends Payable	-	-	-	-
Notes Payable	-	-	-	-
Deferred Revenue	1	130	-	-
Long-term Debt	-	4,510	-	-
Other Liabilities	1	961	-	-
<b>Total Liabilities</b>	<b>2</b>	<b>5,997</b>	<b>232</b>	<b>10</b>
<b>Net Assets</b>	<b>8</b>	<b>4,000</b>	<b>286</b>	<b>129</b>
<b>Revenue</b>				
Revenue from Operations	22	2,995	2,736	77
Transfers from the Government	-	-	-	-
<b>Total Revenue</b>	<b>22</b>	<b>2,995</b>	<b>2,736</b>	<b>77</b>
<b>Expenditure</b>				
Expenditure from Operations	22	2,617	1,859	72
Provincial Taxes	-	-	-	-
<b>Total Expenditure</b>	<b>22</b>	<b>2,617</b>	<b>1,859</b>	<b>72</b>
Net Income (Loss)		378	877	5
Net Assets—Beginning of Year	8	3,979	259	123
Payments from (to) CRF	-	(357)	(850)	1
<b>Net Assets</b>	<b>8</b>	<b>4,000</b>	<b>286</b>	<b>129</b>

## Province of Ontario

## Schedule 7: Investment in Government Business Enterprises

OCWA		ODC		OLGC		ONTC		OPG		Adjustments <sup>1</sup>	Total
Dec. 31, 2000	March 31, 2001	March 31, 2001	Dec. 31, 2000	Dec. 31, 2000	Dec. 31, 2000	Dec. 31, 2000	Dec. 31, 2000	Dec. 31, 2000	Dec. 31, 2000		
136	10	466	-	900	(251)	1,321					
25	-	44	31	1,020	(113)	1,619					
-	-	-	10	517	(36)	822					
-	-	35	-	-	-	41					
65	12	-	-	-	(1)	76					
9	-	1,216	248	12,932	(8)	23,226					
3	-	165	128	1,422	312	2,856					
238	22	1,926	417	16,791	(97)	29,961					
-	-	-	13	-	(17)	20					
23	3	290	22	1,704	(228)	2,428					
-	-	-	-	-	-	-					
-	-	-	-	150	(50)	100					
-	-	8	-	-	(28)	111					
1	-	44	70	3,423	(113)	7,935					
8	-	36	52	5,697	168	6,923					
32	3	378	157	10,974	(268)	17,517					
206	19	1,548	260	5,817	171	12,444					
118	15	5,425	143	5,978	45	17,554					
-	-	-	13	-	-	13					
118	15	5,425	156	5,978	45	17,567					
119	5	3,164	154	5,373	182	13,567					
-	-	367	-	-	(367)	-					
119	5	3,531	154	5,373	(185)	13,567					
-1	10	1,894	2	605	230	4,000					
207	46	1,533	197	5,524	32	11,908					
-	-37	(1,879)	61	(312)	(91)	(3,464)					
206	19	1,548	260	5,817	171	12,444					

<sup>1</sup> Adjustments are made for government enterprises with a year-end other than March 31. Included in these adjustments are \$63 million and \$(8) million, for OPG and HOI respectively. After these adjustments, the net income for the year ended March 31, 2001 of OPG and HOI (whose year-ends are December 31) amounted to \$542 million and \$386 million respectively.

## **Schedule 7: Investment in Government Business Enterprises**

### **Algonquin Forestry Authority (AFA)**

The Algonquin Forestry Authority is responsible for forest management and harvesting activities within Algonquin Park.

### **Hydro One Inc. (HOI)**

The principal business of Hydro One is the transmission and distribution of electricity to customers within Ontario. It is regulated by the Ontario Energy Board.

### **Liquor Control Board of Ontario (LCBO)**

The Liquor Control Board of Ontario regulates the purchase, sale and distribution of liquor for home consumption and liquor sales to licensed establishments through Liquor Control Board stores, Brewers' Retail stores and winery retail stores throughout Ontario. The Board buys wine and liquor products for resale to the public and tests all products sold to the public to maintain high standards of quality. The Board also establishes prices for beer, wine and spirits.

### **Niagara Parks Commission (NPC)**

The Commission maintains, preserves and enhances the beauty and surroundings of the Horseshoe Falls and the Niagara River from Fort Erie to Niagara-on-the-Lake.

### **Ontario Clean Water Agency (OCWA)**

The Agency assists municipalities in providing more cost-effective water and sewage services and encourages Ontario residents, municipalities and industries to conserve water. The Agency also finances, builds and operates water and sewage systems, as well as providing services to communities, all on a cost-recovery basis.

### **Ontario Development Corporation (ODC)**

The Province has decided to terminate the loan, equity investment and guarantee programs of the Development Corporations and wind down their activities. The primary objective through the wind down is to provide for the orderly realization of assets and settlement of debts maximizing the realization of assets and minimizing the negative impact on clients.

### **Ontario Lottery and Gaming Corporation (OLGC)**

Effective April 1, 2000, the Ontario Lottery Corporation and the Ontario Casino Corporation merged to form the Ontario Lottery and Gaming Corporation under the *Ontario Lottery and Gaming Corporation Act, 1999*. On behalf of the Province of Ontario, the Corporation conducts lottery games and operates commercial casinos, charity casinos, and slot machines at 13 Ontario racetracks.

### **Ontario Northland Transportation Commission (ONTC)**

The Commission provides rail, bus, ferry, air and telecommunications services to Northern Ontario.

### **Ontario Power Generation Inc. (OPG)**

The principal business of Ontario Power Generation Inc. is the generation and sale of electricity in the Ontario wholesale market and in the interconnected markets of Quebec, Manitoba and the United States northeast and midwest.











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